

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER'S APPLICATION TO UPDATE THE SUBSTATION ALLOWANCE UNDER SCHEDULE 19, LARGE POWER SERVICE)))))	CASE NO. IPC-E-22-01 ORDER NO. 35345
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On December 28, 2021, Idaho Power Company (“Company”) filed Tariff Advice No. 21-03 (“Tariff Advice”) proposing an update to the substation allowance outlined in Schedule 19, Large Power Service, as required by Commission Order Nos. 32893 and 32914. The Company requested the update to the allowance become effective February 1, 2022.

Due to the significant proposed increase to the allowance amount and changes to overhead rates, Staff recommended that the Commission treat the Tariff Advice as an Application and process the case by modified procedure to allow additional time to review the Company’s proposal and for public input.

At its February 1, 2022, Decision Meeting, the Commission found it reasonable to treat the Company’s filing as an Application rather than a tariff advice. *See* Commission Rule of Procedure 134.02. Subsequently, on February 1, 2022, the Commission issued a Notice of Application, established comment deadlines and suspended the Company’s proposed effective date until March 15, 2022. Order No. 35309. Staff filed the only comments. The Company did not respond.

Having reviewed the record in this case, the Commission now issues this final Order approving the Company’s Application as filed, effective March 15, 2022.

THE APPLICATION

The changes to Schedule 19’s substation allowance reflects updated material costs, labor rates, and the stations’ overhead rate. The Substation Allowance amount increased from \$49,016 to \$57,640—an increase of 17.6 percent.

The primary driver for the increase of the Substation Allowance is attributed to the increased costs of the 138kV/13.09kV, 44.8 MVA transformer, and the 4-unit metalclad switchgear—approximately 17 percent and 25 percent respectively. Other material costs generally increased but were partially offset by a decrease in the general overhead rate from 8.97 percent to 8.63 percent.

The Company's Application includes the proposed tariff sheet in clean and legislative form.

STAFF COMMENTS

Staff reviewed the Application and relevant documents and workpapers; recommending Commission approval of the Company's proposed update to Schedule 19. Staff believes the substation allowance costs were reasonable, the overhead rate was accurate, and that the calculation method complied with prior Commission orders. Staffs review focused on three areas to determine the reasonableness of the Company's substation allowance update: (1) the calculation method; (2) changes to direct allowance costs; and (3) an audit of the overhead rate.

Staff confirmed the Company's substation allowance calculations followed the method approved in past Commission orders.¹ Under the current method, the Company determines the per Megawatt ("MW") substation allowance by dividing the estimated fully loaded costs for constructing a transformer substation by 44.8 MVA, which Staff explained is the rating of the transformer commonly used by the Company for this type of service.

Staff believed the costs included in the Company's proposed substation allowance were reasonable. Staff reviewed the direct costs that make up the substation allowance including labor, material, and vehicle costs. Staff also reviewed the overhead rate used to determine indirect costs in the substation allowance. The primary driver for the increase of the allowance was attributed to the increased costs of the 138kV/13.09kV, 44.8 MVA transformer and the 4-unit metalclad switchgear, which increased approximately 17 percent and 25 percent respectively. Staff reviewed actual invoices to verify the increases in material costs for the transformer and the metalclad switchgear. All material costs generally increased but were partially offset by a decrease in the general overhead rate.

Staff described general overheads as capital costs that cannot be directly assigned to a specific asset or individual project. The Schedule 19 general overhead rate is applied to all vehicle, labor, and direct material costs. The proposed general overhead rate for the 12 months ending October 31, 2021, was 8.63 percent—a decrease from the currently authorized rate of 8.97 percent. Staff verified the Company's inputs and calculation of general overheads for substations were correct.

¹ Order Nos. 32893, 32914, from Case No. IPC-E-13-09 (Glanbia Foods Petition for Allowance to Rule H), Order No. 32982 from Case No. IPC-E-14-01 (Schedule 19 Update), and Order No. 34576 from Case No. IPC-E-19-40 (Update to Substation Allowance Under Schedule 19).

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. The Commission has reviewed the record and based on our review we find it reasonable to approve the Company's proposed update to substation allowance in Schedule 19—Large Power Service.

ORDER

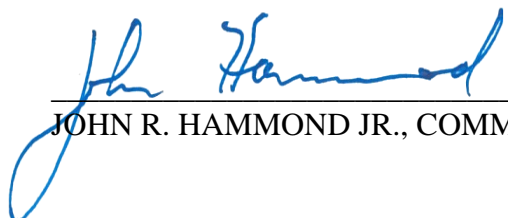
IT IS HEREBY ORDERED that the Company's proposed updates to Schedule 19—Large Power Service, substation allowance is approved, effective March 15, 2022.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 15th day of March 2022.


ERIC ANDERSON, PRESIDENT


JOHN CHATBURN, COMMISSIONER


JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:


Jan Noriyuki
Commission Secretary

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